

VA Office of Inspector General

OFFICE OF AUDITS AND EVALUATIONS



Veterans Health Administration

*Audit of
Alleged Misuse of VHA
Funds at the
Northern Arizona VA Health
Care System*

February 28, 2017
16-01418-136

ACRONYMS

NAVAHCS	Northern Arizona VA Health Care System
IT	Information Technology
MFD	Multifunctional Device
OIG	Office of Inspector General
VA	Department of Veterans Affairs
VHA	Veterans Health Administration

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Highlights: Audit of Alleged Misuse of VHA Funds at the Northern Arizona VA Health Care System

Why We Did This Audit

In August 2015, the VA Office of Inspector General (OIG) received an allegation that the Northern Arizona VA Health Care System (NAVAHCS) inappropriately obtained information technology (IT) items using Veterans Health Administration (VHA) funds. According to the complainant, the use of VHA funds for the IT items from six contracts contradicted VA policy on using the congressionally established IT Systems appropriations.

What We Found

From September 2012 through March 2014, the Network Contracting Office for the Veterans Integrated Service Network overseeing NAVAHCS awarded six contracts to obtain various IT items for this and other medical facilities. We did not substantiate that NAVAHCS inappropriately used VHA appropriations to purchase these items.

NAVAHCS paid about \$368,000 for multifunctional devices (MFD) with printing functionality and other expenses using VHA appropriations. Although VA's 2006 policy memo stated that VA should use the IT Systems appropriations for MFDs with printer functionality, we did not fault NAVAHCS for its decision to use VHA appropriations because of inconsistent guidance on the correct use of funds for similar copier machines connected to a network that could also serve as printers.

In March 2015, the VA Chief of Staff resolved the inconsistency contained in VA's 2006 policy memo and clarified the

issue by authorizing the requesting VA organization to fund network-connected MFDs with their appropriations. Moreover, in August 2016, the VA Assistant Secretary for Information and Technology rescinded the 2006 policy memo and issued updated guidance on the use of VA appropriations, directing that organizations acquire MFDs with printing and copying capabilities with VHA appropriations and other non-IT appropriations funding.

We also determined that NAVAHCS appropriately used VHA funds on the remaining five contracts to purchase commercial software supporting patient care and NAVAHCS operations.

What We Recommended

Because VA issued guidance to clarify VA's 2006 policy memo during the audit, we made no recommendations.

Agency Comments

The Veterans Integrated Service Network 22 Director concurred with our draft report, and did not provide comments because there were no recommendations.

A handwritten signature in blue ink that reads "Larry M. Reinkemeyer".

LARRY M. REINKEMEYER
Assistant Inspector General
for Audits and Evaluations

TABLE OF CONTENTS

Results and Recommendations	1
Finding Northern Arizona VA Health Care System Appropriately Used VHA Funds for Information Technology Items	1
Appendix A Scope and Methodology	4
Appendix B OIG Contact and Staff Acknowledgments	5
Appendix C Report Distribution	6

RESULTS AND RECOMMENDATIONS

Finding **Northern Arizona VA Health Care System Appropriately Used VHA Funds for Information Technology Items**

Allegation In August 2015, the VA Office of Inspector General (OIG) received an allegation that the Northern Arizona VA Health Care System (NAVAHCS)¹ inappropriately obtained information technology (IT) items using Veterans Health Administration (VHA) funds. According to the complainant, the use of VHA funds for the IT items from six contracts contradicted VA policy on using congressionally established IT Systems appropriations.

Criteria Congress established the IT Systems appropriations for IT expenses, including systems development, management, and contract acquisition costs.² To ensure VA used the IT Systems appropriations for their intended purpose, VA issued a policy memo in June 2006 outlining specific guidance to help VA staff decide when to use the IT Systems or other appropriations for IT items.³

What We Found From September 2012 through March 2014, contracting officers for Veterans Integrated Service Network 18 Network Contracting Office awarded six contracts to obtain various IT items for NAVAHCS and other medical facilities. We did not substantiate that NAVAHCS inappropriately used VHA appropriations to purchase these items.

VHA Funds Used for MFDs We determined that NAVAHCS paid for multifunctional devices (MFD) in one contract using VHA appropriations. In May 2013, NAVAHCS funded a multi-year contract to lease a variety of MFDs used in NAVAHCS's medical and administrative areas. The total value of the lease was about \$1 million. We estimated NAVAHCS spent approximately \$368,000 using VHA appropriated funds⁴ as of February 2015 for MFDs, including maintenance services and supplies. Although NAVAHCS used VHA appropriations to pay for MFDs, we did not fault its decision to use this specific appropriation.

Our review of VA's 2006 policy memo found that VA provided inconsistent guidance on whether to use IT Systems appropriations or non-IT

¹ NAVAHCS was part of the VA Southwest Health Care Network—also known as Veterans Integrated Service Network 18. NAVAHCS is now part of the VA Desert Pacific Healthcare Network—also known as Veterans Integrated Service Network 22.

² Public Law 109-114, *Military Quality of Life and Veterans Affairs Appropriations Act, 2006*, November 30, 2005

³ The June 2006 VA policy memo was incorporated into VA Financial Policies and Procedures, *Franchise Fund*, Volume II, Chapter 2B, Appendix C, February 2010.

⁴ NAVAHCS paid for MFDs using VHA Medical Support and Compliance, Medical Facilities, and Medical Services appropriations.

appropriations to obtain equipment that has the capability to print. The policy required staff to use the IT Systems appropriations for MFDs with printer functionality. However, the policy also required staff to use non-IT appropriations for copier and fax machines if staff sometimes used those devices as printers.

VA's Office of General Counsel informed us that the VA 2006 policy memo provided inconsistent and contradictory guidance with respect to MFDs because it also required charging to VHA appropriations for similar copier machines connected to a network if staff could use them as printers. This contradictory guidance predictably resulted in VA facilities using different appropriations to pay for MFDs. In March 2012, the Office of Information and Technology estimated that of the approximate 11,200 MFDs in VA nationwide, VA funded about 10,800 (96 percent) with non-IT appropriations. VA funded approximately 420 (4 percent) with the IT Systems appropriations.

In a March 2015 memo, the VA Chief of Staff resolved the inconsistency in the VA 2006 policy and clarified the issue by authorizing the requesting VA organization, such as VHA, to fund network-connected MFDs with its appropriations.⁵ In August 2016, the VA Assistant Secretary for Information and Technology rescinded the VA 2006 policy memo and issued updated guidance requiring the use of non-IT appropriations to purchase MFDs with printing and copying capabilities.⁶

**IT Items Used
for Patient
Care or
Support
Services**

We determined that NAVAHCS appropriately used VHA funds on the remaining five contracts to purchase commercial software supporting patient care and NAVAHCS operations. VA policy classified commercially purchased software used for direct patient care⁷ as a non-IT expense appropriate for funding with VHA appropriations. The following summarizes our review of the remaining five contracts cited by the complainant.

- In September 2012, NAVAHCS obligated about \$121,000 to purchase labor management software to schedule and track nursing staff coverage for patients. As of February 2015, NAVAHCS paid the total value of the contract using VHA Medical Services appropriations.

⁵ VA policy memo, *2006 Policy Memorandum on the Use of Information Technology Systems Appropriation (VAIQ #7573487)*, March 20, 2015

⁶ VA policy memo, *IT/Non IT Policy (VAIQ#7697708)*, and VA Directive 6008, *Acquisition and Management of VA Information Technology Assets*, paragraph 2h (5), August 29, 2016

⁷ "Direct patient care" is care of a patient provided personally by a staff member. It includes any aspect of the health care of a patient, including treatments, counseling, self-care, patient education, feeding, and administration of medication. It can also include the collection, reporting, and documentation of data related to those activities for clinical judgments.

- In July 2013, NAVAHCS obligated funds to purchase a patient experience assessment system to collect patients' feedback about their VA health care experiences following appointments. As of November 2015, NAVAHCS had paid about \$229,000 from the VHA Medical Services appropriations.
- In September 2013, NAVAHCS obligated funds to purchase an inpatient care system for installation in medical units. The system included capabilities to educate inpatients about their health care conditions, as well as the ability to capture patient satisfaction feedback. As of December 2015, NAVAHCS had paid about \$1.1 million from the VHA Medical Services appropriations.
- In February 2014, NAVAHCS obligated \$3,000 for NAVAHCS subscriptions to national and state law enforcement databases. VA policy classifies electronic media subscriptions as non-IT expenses. As of October 2014, NAVAHCS had paid the total value of the contract using VHA Medical Support and Compliance appropriations.
- In March 2014, NAVAHCS obligated funds to maintain software used to organize and track inpatient feeding information such as prescribed diets, food allergies, and food preferences. As of October 2015, NAVAHCS had paid about \$92,000 from the VHA Medical Services appropriations.

Conclusion

We did not substantiate that NAVAHCS inappropriately obtained IT items using VHA funds. Although we determined that NAVAHCS used VHA appropriations on one contract to pay for MFDs, including maintenance services and supplies, we did not fault its decision to use this specific appropriation. We determined that VA had provided inconsistent guidance on whether IT Systems appropriations or non-IT appropriations should be used to obtain equipment that had the capability to print. We also determined that NAVAHCS appropriately used VHA funds for commercially purchased software on the other five contracts. Because VA issued a new policy to clarify its 2006 policy memo during the audit, we made no recommendations.

Appendix A Scope and Methodology

Scope

We conducted our audit from May through December 2016. Our audit focused on NAVAHCS's use of funds to support the acquisition of IT items in six different contracts awarded from September 2012 through March 2014.

Methodology

To conduct our audit, we examined applicable laws, Federal appropriation principles, and VA policies and procedures. We reviewed key documentation, such as contract files, invoice statements, and payment records. We also conducted a site visit at the NAVAHCS in Prescott, AZ, and observed how NAVAHCS staff used the IT items. Finally, we interviewed and obtained testimonial and documentary evidence from VHA, Office of Information and Technology, and Office of General Counsel employees.

Data Reliability

We relied on computer-processed data obtained from VA's Financial Management System to determine which appropriated funds NAVAHCS used and how much it paid for IT items. To test for reliability, we compared the payment histories for MFDs from the Financial Management System with copies of invoice statement charges provided by NAVAHCS. We also corroborated that payment information and the funds used with the NAVAHCS Chief Financial Officer. We did not identify any significant or unexplainable discrepancies and concluded that the data were sufficiently reliable for the audit objective.

Government Standards

Our assessment of internal controls focused on those controls relating to our audit objective. We conducted this performance audit in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. The evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Appendix B OIG Contact and Staff Acknowledgments

Contact	For more information about this report, please contact the Office of Inspector General at (202) 461-4720.
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Acknowledgments	Steven Wise, Director Emily Austin Brian Gomena Sharon Richards Michelle Swagler Brandon Thompson
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Appendix C Report Distribution

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